

108TH CONGRESS  
1ST SESSION

# H. R. 740

To amend the Internal Revenue Code of 1986 to encourage new school construction through the creation of a new class of bond.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 2003

Ms. LORETTA SANCHEZ of California (for herself, Mr. TOWNS, Ms. CORRINE BROWN of Florida, Mr. PAUL, Mr. BOUCHER, Mr. WEXLER, and Mr. HOLDEN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to encourage new school construction through the creation of a new class of bond.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Expand and Rebuild  
5       America’s Schools Act of 2003”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds the following:

8               (1) Many States and school districts will need  
9       to build new schools in order to accommodate in-

1       creasing student enrollments; the Department of  
2       Education has predicted that the Nation will need  
3       6,000 more schools by the year 2006.

4           (2) In response to reduced class mandates en-  
5       forced by State governments and increased enroll-  
6       ment, many school districts have been forced to uti-  
7       lize temporary classrooms and other structures to  
8       accommodate increased school populations, along  
9       with resorting to year-round schedules for students.

10          (3) Research has proven a direct correlation be-  
11       tween the condition of school facilities and student  
12       achievement. Recently, researchers found that stu-  
13       dents assigned to schools in poor condition can be  
14       expected to fall 10.9 percentage points behind those  
15       in buildings in excellent condition. Similar studies  
16       have demonstrated up to a 20 percent improvement  
17       in test scores when students were moved from a  
18       school with poor facilities to a new facility.

19          (4) While school construction and maintenance  
20       are primarily a State and local concern, States and  
21       communities have not, on their own, met the in-  
22       creasing burden of providing acceptable school facili-  
23       ties, and the poorest communities have had the  
24       greatest difficulty meeting this need.

1           (5) Many local educational agencies have dif-  
2           ficulties securing financing for school facility con-  
3           struction and renovation, especially in States that  
4           require a  $\frac{2}{3}$  majority of voter approval for the pas-  
5           sage of local bond initiatives.

6           (6) The Federal Government, by providing in-  
7           terest subsidies and similar types of support, can  
8           lower the costs of State and local school infrastruc-  
9           ture investment, creating an incentive for businesses  
10          to support local school infrastructure improvement  
11          efforts.

12          (7) The United States competitive position  
13          within the world economy is vulnerable if America's  
14          future workforce continues to be educated in schools  
15          not equipped for the 21st century. America must do  
16          everything in its power to properly educate its people  
17          to compete in the global marketplace.

18 **SEC. 3. PURPOSES.**

19          The purposes of this Act are—

20               (1) to encourage public-private partnerships for  
21               the financing of school construction and expansion,  
22               and

23               (2) to help local educational agencies bring all  
24               public school facilities up to an acceptable standard  
25               and build the additional classrooms needed to edu-

1       cate the growing number of students who will enroll  
2       in the next decade.

3   **SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION**  
4       **BONDS.**

5       (a) IN GENERAL.—Subpart B of part IV of sub-  
6 chapter A of chapter 1 of the Internal Revenue Code of  
7 1986 (relating to business-related credits) is amended by  
8 adding at the end the following new section:

9   **“SEC. 30B. CREDIT TO HOLDERS OF SCHOOL CONSTRUC-**  
10       **TION BONDS.**

11       “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
12 gible taxpayer who holds a school construction bond on  
13 the credit allowance date of such bond which occurs during  
14 the taxable year, there shall be allowed as a credit against  
15 the tax imposed by this chapter for such taxable year the  
16 amount determined under subsection (b).

17       “(b) AMOUNT OF CREDIT.—The amount of the credit  
18 determined under this subsection with respect to any  
19 school construction bond is the amount equal to the prod-  
20 uct of—

21               “(1) the credit rate determined by the Sec-  
22 retary under section 1397E(b)(2) for the month in  
23 which such bond was issued, multiplied by

24               “(2) the face amount of the bond held by the  
25 taxpayer on the credit allowance date.

1       “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
2 credit allowed under subsection (a) for any taxable year  
3 shall not exceed the excess of—

4               “(1) the sum of the regular tax liability (as de-  
5 fined in section 26(b)) plus the tax imposed by sec-  
6 tion 55, over

7               “(2) the sum of the credits allowable under this  
8 part (other than under this section and subpart C  
9 thereof, relating to refundable credits) and section  
10 1397E.

11       “(d) SCHOOL CONSTRUCTION BOND.—For purposes  
12 of this section—

13               “(1) IN GENERAL.—The term ‘school construc-  
14 tion bond’ means any bond issued as part of an  
15 issue if—

16                       “(A) 95 percent or more of the proceeds of  
17 such issue are to be used for a qualified pur-  
18 pose with respect to a new qualified school es-  
19 tablished by an eligible local education agency.

20                       “(B) the bond is issued by a State or local  
21 government within the jurisdiction of which  
22 such school is located,

23                       “(C) the issuer—

24                               “(i) designates such bond for purposes  
25 of this section,

1 “(ii) certifies that it has written as-  
2 surances that the private business con-  
3 tribution requirement of paragraph (2) will  
4 be met with respect to such school, and

5 “(iii) certifies that it has the written  
6 approval of the eligible local education  
7 agency for such bond issuance, and

8 “(D) the term of each bond which is part  
9 of such issue does not exceed the maximum  
10 term permitted under section 1397E(d)(3).

11 “(2) PRIVATE BUSINESS CONTRIBUTION RE-  
12 QUIREMENT.—

13 “(A) IN GENERAL.—For purposes of para-  
14 graph (1), the private business contribution re-  
15 quirement of this paragraph is met with respect  
16 to any issue if the eligible local education agen-  
17 cy that established the qualified school has writ-  
18 ten commitments from private entities to make  
19 qualified contributions having a present value  
20 (as of the date of issuance of the issue) of not  
21 less than 10 percent of the proceeds of the  
22 issue.

23 “(B) QUALIFIED CONTRIBUTIONS.—For  
24 purposes of subparagraph (A), the term ‘quali-  
25 fied contribution’ means any contribution (of a

1 type and quality acceptable to the eligible local  
2 education agency) of—

3 “(i) equipment for use in the qualified  
4 school (including state-of-the-art tech-  
5 nology and vocational equipment),

6 “(ii) technical assistance in developing  
7 curriculum or in training teachers in order  
8 to promote appropriate market driven tech-  
9 nology in the classroom,

10 “(iii) services of employees as volun-  
11 teer mentors,

12 “(iv) internships, field trips, or other  
13 educational opportunities outside the  
14 school for students, or

15 “(v) any other property or service  
16 specified by the eligible local education  
17 agency.

18 “(3) QUALIFIED SCHOOL.—

19 “(A) IN GENERAL.—The term ‘qualified  
20 school’ means any public school which is estab-  
21 lished by and operated under the supervision of  
22 an eligible local education agency to provide  
23 education or training below the postsecondary  
24 level if—

1 “(i) such public school is designed in  
2 cooperation with business to enhance the  
3 academic curriculum, increase graduation  
4 and employment rates, and better prepare  
5 students for the rigors of college and the  
6 increasingly complex workforce,

7 “(ii) students in such public school  
8 will be subject to the same academic stand-  
9 ards and assessments as other students  
10 educated by the local education agency,

11 “(iii) a well-structured program to al-  
12 leviate overcrowding and to improve stu-  
13 dents’ education has been constructed and  
14 implemented in the opinion of the Sec-  
15 retary of Education, and

16 “(iv) at least 2 of the following re-  
17 quirements are met:

18 “(I) There is a reasonable expect-  
19 tation (as of the date of issuance of  
20 the bonds) that at least 35 percent of  
21 the population attending such public  
22 school will be eligible for free or re-  
23 duced-cost lunches under the school  
24 lunch program established under the  
25 National School Lunch Act.



1                   “(II) There is a reasonable ex-  
2                   pectation (as of the date of issuance  
3                   of the bonds) that the student growth  
4                   rate over the next 5 years for the  
5                   school district in which such public  
6                   school is to be located will be at least  
7                   10 percent.

8                   “(III) The average student-teach-  
9                   er ratio for such district as of the  
10                  date of issuance of the bonds is at  
11                  least 28 to 1.

12                 “(B) ELIGIBLE LOCAL EDUCATION AGEN-  
13                 CY.—The term ‘eligible local education agency’  
14                 means any local educational agency as defined  
15                 in section 14101 of the Elementary and Sec-  
16                 ondary Education Act of 1965.

17                 “(4) QUALIFIED PURPOSE.—

18                 “(A) IN GENERAL.—The term ‘qualified  
19                 purpose’ means, with respect to any qualified  
20                 school—

21                         “(i) constructing a new school facility,  
22                         and

23                         “(ii) providing equipment for use at  
24                         such facility.

1           “(B) SCHOOL FACILITY.—The term ‘school  
 2           facility’ means a new public structure suitable  
 3           for use as a classroom, laboratory, library,  
 4           media center, or related facility whose primary  
 5           purpose is the instruction of public elementary  
 6           or secondary students. Such term does not in-  
 7           clude an athletic stadium, or any other struc-  
 8           ture or facility intended primarily for athletic  
 9           exhibitions, contests, games, or events for which  
 10          admission is charged to the general public.

11          “(e) LIMITATION ON AMOUNT OF BONDS DES-  
 12          IGNATED.—

13           “(1) NATIONAL LIMITATION.—There is a na-  
 14          tional school construction bond limitation for each  
 15          calendar year. Such limitation is \$400,000,000 for  
 16          2004 and 2005, and, except for carryovers as pro-  
 17          vided under the rules applicable under paragraph  
 18          (4), zero thereafter.

19           “(2) ALLOCATION OF LIMITATION.—The na-  
 20          tional school construction bond limitation for a cal-  
 21          endar year shall be allocated by the Secretary among  
 22          the States on the basis of their respective popu-  
 23          lations of individuals below the poverty line (as de-  
 24          fined by the Office of Management and Budget).  
 25          The limitation amount allocated to a State under the

1 preceding sentence shall be allocated by the Sec-  
2 retary of Education to qualified schools within such  
3 State.

4 “(3) DESIGNATION SUBJECT TO LIMITATION  
5 AMOUNT.—The maximum aggregate face amount of  
6 bonds issued during any calendar year which may be  
7 designated under subsection (d)(1) with respect to  
8 any qualified school shall not exceed the limitation  
9 amount allocated to such school under paragraph (2)  
10 for such calendar year.

11 “(4) CARRYOVER OF UNUSED LIMITATION.—If  
12 for any calendar year—

13 “(A) the limitation amount for any State,  
14 exceeds

15 “(B) the amount of bonds issued during  
16 such year which are designated under sub-  
17 section (d)(1) with respect to qualified schools  
18 within such State,

19 the limitation amount for such State for the fol-  
20 lowing calendar year shall be increased by the  
21 amount of such excess.

22 “(f) OTHER DEFINITIONS.—The definitions in sub-  
23 sections (d)(6) and (f) of section 1397E shall apply for  
24 purposes of this section.

1       “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
2 income includes the amount of the credit allowed to the  
3 taxpayer under this section.”

4       (b) CONFORMING AMENDMENT.—The table of sec-  
5 tions for subpart B of part IV of subchapter A of chapter  
6 1 of such Code is amended by adding at the end the fol-  
7 lowing new item:

“Sec. 30B. Credit to holders of school construction bonds.”

8       (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to obligations issued after Decem-  
10 ber 31, 2003.

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